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State of Montana
Office of the Legislative Auditor

REPORT TO THE LEGISLATURE

Examination of Financial Statements
Fiscal Year Ended June 30, 1979

DEPARTMENT OF JUSTICE

Excluding the Crime Control Division

PLEA

The department's vehicle registration fee revenue was not auditable due to a lack of processing controls.

This report presents 13 recommendations for improvement of the department's operations including recommendations relating to:

- ▶ timely pay for overtime worked
- ▶ expenditure abatements
- ▶ compliance with various laws and regulations
- ▶ various accounting matters

STATE DEPARTMENT

MONTANA

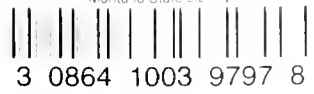
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ELECTED, APPOINTIVE AND ADMINISTRATIVE OFFICIALS

Mike Greely	Attorney General
Patrick Driscoll	Chief Assistant Attorney General Legal Services Division
Robert Kuchenbrod	Administrator Central Services Division
Fritz Behr	Administrator Law Enforcement Services Division
Larry Majerus	Administrator Motor Vehicle Division
Bonnie Cochrell	Administrator Data Processing Division

SUMMARY OF RECOMMENDATIONS

As a separate section in the front of each audit report we include a listing of all recommendations together with a notation as to whether the agency concurs or does not concur with each recommendation. This listing serves as a means of summarizing the recommendations contained in the report and the audited agencies' replies thereto and also as a ready reference to the supporting comments. The full replies of the Department of Justice, Department of Community Affairs and the Department of Administration are included in the back of this report.

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1.A Cooperate with the Department of Community Affairs in establishing document accountability for motor vehicle registration documents and tabs to enable reconciliation of recorded revenues with the fees generated from documents and tabs issued.	14
<u>Agency Reply:</u> Do not concur. See page 63.	
<u>Department of Community Affairs Reply:</u> Concur. See page 70.	
1.B. Establish procedures for timely processing and fiscal year-end processing cut-off of motor vehicle documents.	14
<u>Agency Reply:</u> Do not concur. See page 63.	
2. Department of Administration record and report highway patrol fine monies as Department of Justice revenue to match revenue with expense.	17
<u>Agency Reply:</u> Do not concur. See page 64.	
<u>Department of Administration Reply:</u> Concur. See page 71.	
3.A. Correct the matters described above.	20
<u>Agency Reply:</u> Concur. See page 64.	

SUMMARY OF RECOMMENDATIONS (Continued)

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3.B. Periodically review account balances for age, validity, and content and make appropriate adjustments.	20
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7.A. Obtain advance or direct financing.	27
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7.B. Establish inter-entity loans when necessary to allow initial recording of expenditures in the proper fund to reduce fund transfers.	27
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9. Record accounts receivable on the state's official accounting records at fiscal year-end.	29
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10. Deposit highway patrol receipts directly to the appropriate fund and revenue classification.	31
<u>Agency Reply:</u> Concur. See page 67.	
11. Match revenues and expenditures of the same fund.	31
<u>Agency Reply:</u> Concur. See page 67.	
12. Accrue all revenues susceptible to accrual in accordance with generally accepted accounting principles.	32
<u>Agency Reply:</u> Concur. See page 67.	
13. Comply with state laws, Management Memos, and the Montana Operations Manual sections cited above or seek changes in state laws or regulations.	36
<u>Agency Reply:</u> Partially concur. See page 67.	

INTRODUCTION

We performed a financial compliance audit of the Montana Department of Justice for fiscal year 1978-79. Our audit excluded the Crime Control Division, which is audited biennially under contract.

The department was last audited by a CPA firm under contract with the Office of the Legislative Auditor for fiscal year 1975-76. That engagement also included an audit of the Workers' Compensation Investigation expenditures for fiscal year 1974-75.

A schedule of the Workers' Compensation Investigation expenditures for fiscal years 1976-77, 1977-78, and 1978-79 is included in this report on page 37. Expenditures for fiscal years 1976-77 and 1977-78 were not audited by us, but are presented for information purposes.

The Attorney General and the Central Services Division administrator have already implemented a number of report recommendations.

We thank the Attorney General, the administrators, and the department staff for their cooperation and assistance during the audit.

GENERAL

Through the Executive Reorganization Act of 1971, the Department of Justice was created on September 1, 1972. Besides representing the public interest in both civil and criminal matters, the department protects

Montana residents by enforcing state laws and promoting public safety.

The Attorney General, serving as department director, administers the department's 7 divisions and 15 bureaus. Divisions within the department include:

1. Motor Vehicle
2. Legal Services
3. Law Enforcement Services
4. Central Services
5. Data Processing
6. Crime Control
7. Forensic Sciences

Functioning through its two bureaus, the Highway Patrol Bureau and the Registrar's Bureau, the Motor Vehicle Division provides for motor vehicle registration, issuance of driver licenses, and highway traffic regulation.

The Highway Patrol Bureau has several responsibilities. These responsibilities include patrolling traffic on public highways, administering driver licensing programs, enforcing laws related to truck, trailer and heavy equipment movement on public roads, inspecting school buses, and promoting highway safety.

At June 30, 1979, the Highway Patrol Bureau employed 220 uniformed patrolmen, including 26 driver examiners. During the 1980-81 biennium, the bureau

will be replacing the uniformed examiners with civilians. As of January 1980, seventeen uniformed examiner positions had been filled by civilians. Five of these civilian examiners are retired patrolmen.

Services provided by the Registrar's Bureau consist of identifying motor vehicles and owners through registration, titling, licensing, and recording liens. The bureau also provides motor vehicle information to law enforcement agencies.

The Legal Services Division, directed by the Chief Assistant Attorney General, provides legal representation for the state. The division also coordinates legal services for escheated estates, antitrust enforcement, and county prosecution. On July 1, 1979, the Agency Legal Services Bureau was established within the division. This bureau provides and charges for legal services, through a legal assistance pool, as requested by state agencies.

Through its bureaus, the Law Enforcement Services Division assists law enforcement agencies and promotes enforcement cooperation between state, local, and federal agencies.

The Criminal Investigation Bureau furnishes investigatory assistance to counties, certain law enforcement agencies, and state government. The Criminal Investigation Bureau's crime lab, which is located in Missoula, supplies court recognized expert witnesses and laboratory analysis.

Professional law enforcement training for peace officers is provided through the Law Enforcement Academy Bureau. The bureau, located in Bozeman, also conducts continuing professional education courses for law enforcement personnel.

The Identification Bureau maintains an updated criminal history information system for all persons arrested for a felony within the state.

The responsibilities of the Fire Marshal Bureau include promoting fire safety, investigating fire causes, and ensuring compliance with fire safety regulations.

The Law Enforcement Telecommunications System Bureau provides an uninterrupted rapid exchange of criminal information between federal, state, county, and city law enforcement agencies.

Through the Central Services Division, the Department of Justice receives centralized accounting, budgeting, purchasing, fiscal control, and personnel services.

During fiscal year 1978-79, the Data Processing Division functions were divided among the other departmental divisions. Effective July 1, 1979, the Data Processing Division was reestablished.

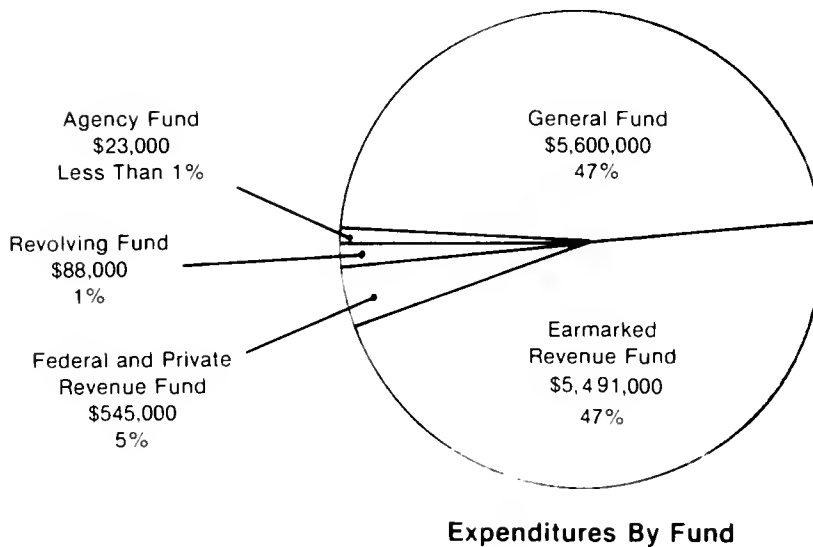
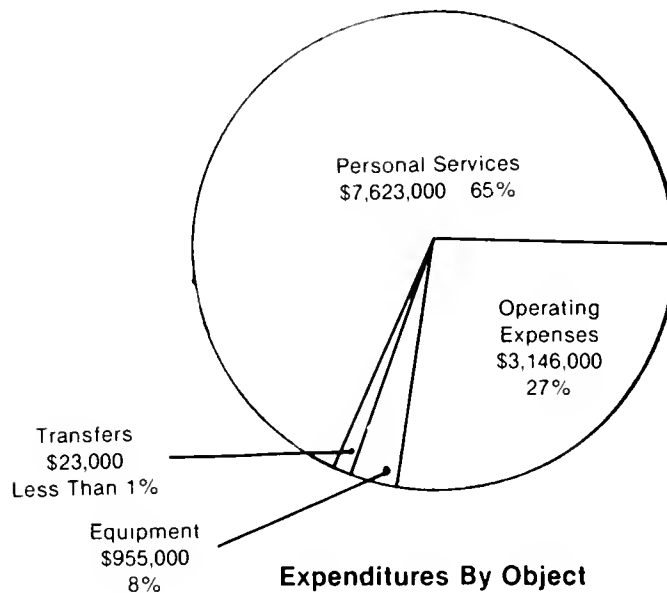
The Board of Crime Control, appointed by the Governor, administers the Crime Control Division. This division is attached to the Department of Justice for administrative purposes only.

In 1977, the legislature created the Board of Forensic Science and the Forensic Science Division. The Board of Forensic Science, by legislative mandate, was to establish policies and procedures for the new division. The board terminated its activities in April 1979. Although the division was created in 1977, the legislature did not fund the division for the 1979 biennium. The Forensic Science Division was funded by the legislature for the 1981 biennium.

During fiscal year 1978-79, the department employed approximately 460 people, excluding the Crime Control Division employees and County Attorneys. The state pays one-half of the salary for county attorneys.

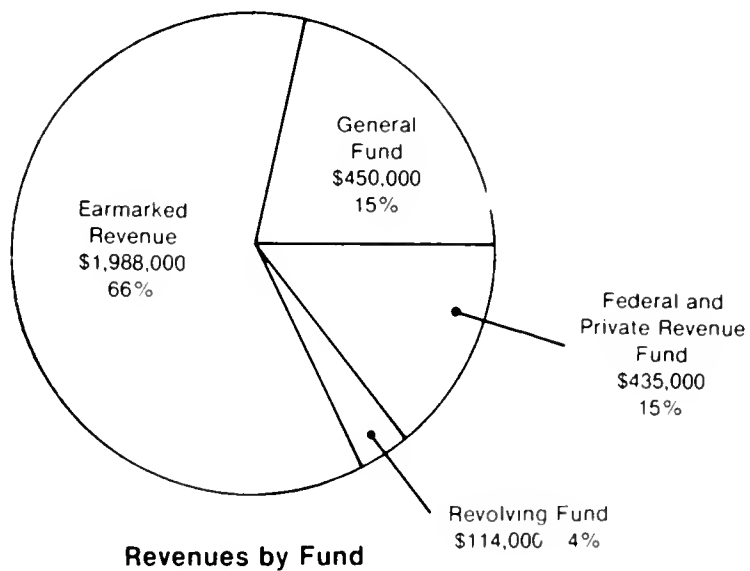
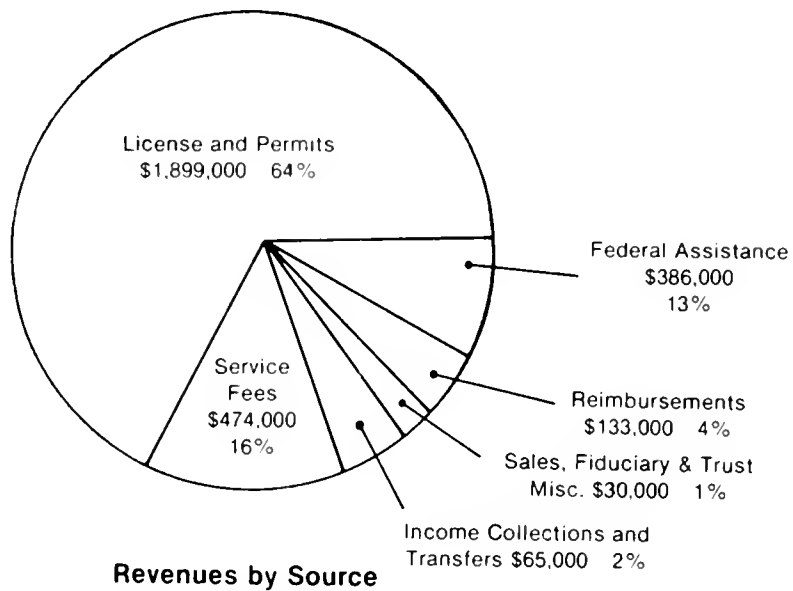
The department expended \$11,747,490 during fiscal year 1978-79 and received revenues totalling \$2,986,695. These revenues do not include the \$1,830,796 in driver license fees and highway patrol fines recorded by the Department of Administration. The following charts illustrate fiscal year 1978-79 department expenditures and revenues.

**DEPARTMENT OF JUSTICE
EXCLUDING THE CRIME CONTROL DIVISION
EXPENDITURES OF \$11,747,000 BY OBJECT AND FUND
FISCAL YEAR ENDED 1978-79**



Source: Compiled by the Office of the Legislative Auditor

**DEPARTMENT OF JUSTICE
EXCLUDING THE CRIME CONTROL DIVISION
REVENUES OF \$2,987,000 BY SOURCE AND FUND
FISCAL YEAR ENDED 1978-79**



Source: Compiled by the Office of the Legislative Auditor

PRIOR AUDIT RECOMMENDATIONS

As stated on page 1, the last audit of the department was performed by a CPA firm for fiscal year 1975-76, under contract with the Office of the Legislative Auditor. Their report contained 41 recommendations still applicable to the department's operations. The department concurred with 35 of the recommendations and partially concurred with two. They have implemented or partially implemented 34 of the recommendations. The department has not implemented seven recommendations. Of the seven recommendations not implemented, the department did not concur with one recommendation.

INTERNAL CONTROL

As part of our examination, we made a study and evaluation of the department's system of internal accounting control to establish a basis for reliance thereon in determining the nature, timing, and extent of other auditing procedures necessary for expressing an opinion on the financial statements and to assist in planning and performing our examination of the financial statements.

The objective of internal accounting control is to provide reasonable, but not absolute, assurance as to the safeguarding of assets against loss from unauthorized use or disposition, and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of

reasonable assurance recognizes that the cost of a system of internal accounting control should not exceed the benefits derived and also recognizes that the evaluation of these factors necessarily requires estimates and judgments by management.

Our study and examination of the department's system of internal accounting control for fiscal year 1978-79 would not necessarily disclose all weaknesses in the system because it was based upon selective tests of accounting records and related data. However, our study and evaluation disclosed a condition that we believe to be a material weakness in the internal accounting controls established by the department. We discuss this weakness relating to vehicle licenses and permits in the following paragraphs.

VEHICLE LICENSES AND PERMITS

The department's major source of earmarked revenue, vehicle licenses and permits of \$1,886,026, should be controlled to ensure proper receipt and recording of these revenues.

Registration fees, totalling \$769,483, comprise 41 percent of the earmarked vehicle licenses and permits revenue and represent 39 percent of the total earmarked revenues of the department.

County government staff collect certain vehicle license and permit revenues. County personnel issue

appropriate prenumbered motor vehicle documents and license plate tabs. Certain motor vehicle license and permit fees, such as title transfers, personalized plates, original titles, recording liens, etc., are collected by the counties and are sent to the Registrar's Bureau for subsequent deposit and processing. Only \$1 of the registration fee collected by the counties is sent to the State Treasurer for credit to the Department of Justice. Registration fee documents, except for those processed by counties maintaining on-line data processing terminals, are sent to the Registrar's Bureau for subsequent processing.

Three counties maintain on-line data processing terminals to process their registration documentation. These counties' registration documents are not processed by the Registrar's Bureau.

Controls

The department does not provide adequate inventory controls over motor vehicle registration documents and license plate tabs. Records do not account for documents and tabs distributed to the counties, issued by the counties, and processed by the bureau or on-line counties. By maintaining inventory controls, the department could reconcile recorded revenues to fees generated from document and tab issuance.

Personnel from five of six counties surveyed stated that no inventory controls are maintained for

registration documents or license plate tabs. Controls are not maintained for the following reasons:

1. Both the registration documents and license plate tabs are issued to the counties in different numerical sequence.
2. The registration document number is too long to be useful for control purposes.
3. Occasionally, a county with excess registration documents will supply another county with needed registration documents.
4. Registration documents are filed by license plate number rather than by document number.
5. Numerous local government personnel are involved in issuing registration documents.

Local government personnel from one county stated they record the batch beginning and ending number of registration documents received and account for voided documents. The registration documents are inventoried monthly to determine the number of documents issued.

Although one county maintains inventory control over registration documents, none of the six counties contacted compares the number of documents issued to the revenues received.

None of the six maintains a numerical count of the motor vehicle documents sent to the Registrar's Bureau. These documents are sent to the bureau by county personnel daily, weekly, or monthly.

Document Processing

The department should establish procedures for timely processing and fiscal year-end processing cutoff of motor vehicle registration documents.

We compared registration documents processed for three six-month periods to the registration fees submitted to the State Treasurer by county personnel. The following table summarizes our findings:

COMPARISON OF REGISTRATION DOCUMENTS PROCESSED
TO THE REVENUES RECORDED

<u>Time Period</u>	<u>Registration Documents Processed</u>	<u>Registration Fee Revenue</u>	<u>Percent Collections Greater or (Less) Than Number Processed</u>
1/1/78 - 06/30/78	378,907	\$453,851	16.51%
7/1/78 - 12/31/78	316,107	301,925	(4.70)
1/1/79 - 06/30/79	281,381	467,558	39.82

Note: Fees credited to the department are \$1 per registration according to section 61-3-321, MCA.

Table 1

Source: Compiled by the Office of the Legislative Auditor.

This comparison is based on the assumption that for every registration document processed, \$1 of the registration fee will be credited to the Department of Justice.

The table indicates that documents processed are not comparable to recorded revenues. The differences in these figures may be further explained by the following factors:

1. The bureau had a processing backlog of registration documents from a strike which occurred from February 5, 1979 through March 13, 1979.
2. Fiscal year-end processing cutoff controls are not maintained by the bureau on documents issued during one period and processed in a

subsequent period. For example, the documents processed figures above may include documents issued during fiscal year 1977-78.

3. Registration documents may be issued and processed when license plates are transferred or the registration period changes, yet no fee is collected. This is in accordance with section 61-3-321, MCA.
4. The Registrar's Bureau has no document control over motor vehicle registrations. The bureau has no records documenting the number of registrations received by the counties or the number of registrations processed or unprocessed at any one point in time.
5. Personnel from four of the six counties contacted reported that the \$1 registration fee was not prorated in fiscal year 1978-79 when the registration anniversary date changed. Section 61-3-501, MCA, implies that this registration fee should be prorated.

The department should establish procedures for timely processing and fiscal year-end processing cutoff of motor vehicle registration documents to allow a reconciliation of the documents issued and processed.

The department should also perform analytical or reasonableness tests to ensure that counties are submitting all required fee collections to the State Treasurer or Registrar's Bureau.

As a result of the lack of inventory and document processing controls, we were unable to test the detail records and account for tabs and motor vehicle registration documents to determine whether recorded revenues of \$769,483 from these fees were reasonable.

The Department of Community Affairs (DCA) is responsible for assisting local governments in solving various management and administrative problems. The

Department of Justice should cooperate with DCA in establishing accountability for motor vehicle registration documents and tabs.

RECOMMENDATION #1

We recommend that the department:

- A. Cooperate with the Department of Community Affairs in establishing accountability for motor vehicle registration documents and tabs to enable reconciliation of recorded revenues with fees generated from documents and tabs issued.
- B. Establish procedures for timely processing and fiscal year-end processing cutoff of motor vehicle documents.

ESCHEATED ESTATES

Two departments providing similar services are jointly involved in escheated estates.

Escheated estates represent unclaimed real or personal property in which title vests with the state of Montana. Property reverting to the state for which there are no legal heirs is classified as escheated estates.

According to section 72-14-103, MCA:

The attorney general of the state of Montana shall be the legal advisor in connection with all escheated property matters . . . For this purpose the attorney general is authorized and empowered to employ a special assistant and incur necessary expenses subject to appropriation limitations.

While the Department of Justice is charged with the legal responsibilities relating to escheated estates, the Department of Revenue, by law, is mandated to collect all sums escheating to the state. The Department of Revenue is also responsible for making funding distributions. For example, the escheated estates program at the Department of Justice was funded in fiscal year 1978-79 by a \$23,341 transfer of escheated estates agency fund monies from the Department of Revenue. The Department of Revenue is also named as the administering agency for the accounting records comprising escheated estates.

The Department of Revenue, Legal Services Division, with a staff of six, performs legal services for the state relating to inheritance taxes, unclaimed property, and statewide tax collection. The Department of Revenue has the legal expertise to fulfill the state's responsibilities for escheated estates.

Department of Justice officials state they have recently implemented an aggressive program to locate unclaimed real or personal property within the state. The results of the program are not currently measurable; therefore, we make no recommendation regarding the escheated estates program.

REVENUES RECORDED BY ANOTHER AGENCY

Revenues generated at the expense of the Department of Justice were recorded to the credit of the Department of Administration. These monies should be

recorded and reported as Department of Justice revenues to match expenses with appropriate revenues.

During fiscal year 1978-79, county government personnel collected fees for driver licenses. Highway patrol fines were issued and collected by highway patrolmen and the justices of the peace. These fee and fine receipts totalling \$1,830,796 were deposited to the Department of Administration's general fund account. Because these revenues were not credited to the Department of Justice, the Department of Justice's fiscal year 1978-79 financial statements do not reflect revenues of \$658,976 for highway patrol fines and \$1,171,820 for driver license fees.

County government personnel were depositing these fee and fine receipts in accordance with a form provided by the Department of Administration. This form should be revised to credit these revenues to the Department of Justice.

By reporting fee and fine receipts as Department of Justice revenue, the net cost of departmental operations relating to driver license and highway patrol fine issuance could be more readily determined.

Effective July 1, 1979, driver license fees are being recorded as Department of Justice revenue. These fees are being collected by personnel from seven driver examination stations and the counties' staff. When driver license fees are collected by county personnel,

five percent of the fees collected is retained by the counties to defray operating costs.

Highway patrol fine revenues are initiated through actions of the highway patrol and are resolved through justice of the peace court procedures. A single state agency should be accountable for these revenues. Since department personnel actions created the revenue, the Department of Justice, by using the highway patrol summons system and working with the justice of the peace courts, should account for these revenues.

RECOMMENDATION #2

We recommend that the Department of Administration record and report highway patrol fine monies as Department of Justice revenue to match revenue with expenses.

ACCOUNT BALANCE REVIEW

Performing periodic reviews of account balances by the department and making appropriate adjustments would enhance the reporting of the department's financial position. Because the department did not review and adjust account balances at fiscal year-end, \$465,000 in account balances, detailed in the following paragraphs, were not fairly presented.

Accountability for Advances

The Accountability for Advances account represents funds received by an accounting entity which have not

yet been expended. The account balance of \$8,885 on the June 30, 1979 federal and private revenue balance sheet was established in error by the Department of Administration in October 1976. The balance remained on the books until September 1979. By carrying this account balance on the department's financial statements, liabilities are overstated by \$8,885 for fiscal year 1978-79.

Advances

Employee advances are misstated by \$467 because of accounting errors.

The Other Advances account balance of \$70 had been outstanding prior to 1975. Management officials were unaware of the composition of this account balance.

In September and October 1979, the department corrected the employee and other advances account balances.

Accountability for Property Held in Trust

The Accountability for Property Held in Trust account is defined as property being held in trust or unclaimed within the state. This liability account is overstated by \$475,749 on the agency fund statement of changes in assets and liabilities for the fiscal year ended June 30, 1979 for the following accounts:

Undistributed Estates	\$ 5,997
Escheated Estates	411,071
Recovery Statutes	18,497
Alien Heirs	38,973
Safety Responsibility	
Compliance	1,211
Total	<u>\$475,749</u>

The Department of Revenue became the administering agency for the first four accounts in November 1977. The first four liability account balances totalling \$474,538 should have been transferred from the Department of Justice records to Department of Revenue records. The assets relating to these accounts, except cash of \$18,497 in the Recovery Statute Account, have been transferred to the Department of Revenue. Since the Department of Revenue is administering these accounts, the liability account and corresponding net asset balance should be closed on the Department of Justice's records.

The \$1,211 balance of the Safety Responsibility Compliance account and the corresponding cash account administered by the Department of Justice has remained unchanged for seven years. This account represents bonds posted with the department for insurance purposes. Because this property has not been claimed within the last seven years, the department should attempt to refund these monies or determine whether this account should be classified as unclaimed property per section 70-9-201, MCA. The cash and liability account balances should then be transferred to the Department of Revenue, which administers unclaimed property.

The Recovery Statute account reports a cash balance of \$18,497 on the balance sheet. At fiscal

year-end, this amount should have been transferred to the Department of Revenue.

Inter-entity Loans Payable

Inter-entity loans payable are temporary transactions between or within governmental agencies. Section 17-2-107, MCA, states temporary loan transfers may be authorized:

provided there is reasonable evidence that the income provided for the remainder of the fiscal year will be sufficient to restore the amount so transferred and provided the loan is recorded in the state accounting records.

Although there was no misstatement of inter-entity loans payable on June 30, 1979, each account with an inter-entity loan payable had sufficient year-end cash balances to repay the loans.

The \$3,000 Department of Administration general fund loan to the federal and private revenue fund had been outstanding since July 1974. This loan has been repaid since June 30, 1979.

To properly reflect its financial position, the department should periodically review account balances for age, validity, and content and make appropriate adjustments.

RECOMMENDATION #3

We recommend that the department:

- A. Correct the matters described above.
- B. Periodically review account balances for age, validity, and content and make appropriate adjustments.

TIMELY PAYMENT OF HIGHWAY PATROL OVERTIME

Section 39-3-204, MCA, requires that wages be paid no longer than 10 business days after due and payable, while section 39-3-206, MCA, provides for a potential 100 percent penalty for unpaid wages. We were unable to find a statement exempting the highway patrol from these provisions. To avoid penalty assessment, the Department of Justice should comply with these statutory provisions.

The Helena payroll clerk does not receive time sheets from highway patrol division offices in time to include actual hours worked for the current payroll period. The department's payment of wages without supporting documentation is not a true after-the-fact payroll. Patrolmen are paid for an assumed 80 hours worked and overtime is paid the following pay-period. Consequently, overtime is paid at least 22 business days after the wages become payable.

Other state agencies, such as the Department of Highways and the Department of Fish, Wildlife and Parks have field operations similar to the Department of Justice. These agencies comply with an after-the-fact payroll. Under this system, if supervisory personnel adjust overtime payments based upon time sheet reviews, such adjustments could be made in a subsequent pay period.

The department was liable for late payment of overtime wages until March 1979 when the \$100,000 highway patrol appropriation authorizing overtime payment was depleted. After March, the highway patrolmen received no compensation for overtime worked, as provided for in their collective bargaining agreement. The highway patrolmen, classified as exempt employees, are not required to be paid overtime unless overtime payment is specifically negotiated. Therefore, there were no unpaid highway patrol overtime wages at fiscal year-end.

RECOMMENDATION #4

We recommend that the department revise payroll procedures for timely payment of wages in compliance with section 39-3-204, MCA.

RETIREMENT SERVICE TRANSFERS

Consideration should be given allowing service credits in one Public Employees' Retirement Division (PERD) system to be transferred to another system. Present statutes do not allow for service transfers to the Public Employees' Retirement System (PERS) when an employee is no longer eligible for benefits of the Highway Patrol Retirement System. Rather than lose patrolman service credits, one department employee remained a member of the Highway Patrol Retirement

System while working and being paid by the Workers' Compensation Investigation unit in 1974. Upon transfer to the Workers' Compensation Investigation, this employee qualified for membership with the PERS rather than the Highway Patrol Retirement System. The department allowed this employee to remain a member of the Highway Patrol Retirement System even though he was no longer eligible.

From fiscal year 1974-75 through fiscal year 1977-78, the department paid the state's contribution for the employee to the Highway Patrol Retirement System. The state's annual contribution to the Highway Patrol Retirement System is currently 16 percent of the highway patrolman's salary. The state's contribution to the PERS is currently six percent of an employee's salary. (Highway patrolmen do not participate in the Social Security system, while other state employees do.)

On July 1, 1978, based upon a department official's discussion with PERS personnel, the employee became an inactive member of the Highway Patrol Retirement System. The department then began paying the state's contribution for the employee's retirement to the PERS.

In September 1979, retirement division officials stated that the difference between the state's contribution paid to the Highway Patrol Retirement System

during fiscal year 1974-75 through 1977-78 and the PERS contribution that should have been paid will be returned to the Department of Justice.

Currently, provisions exist for transferring service credits between the Teachers' Retirement System (TRS) and PERS. Consideration should be given to allowing service credit transfers between other systems.

RECOMMENDATION #5

We recommend that the department comply with present retirement system provisions.

EXPENDITURE ABATEMENTS AND RECOVERIES

The department should fully disclose all financial activity by recording as revenue monies received in exchange for goods and services. Collections from the sale of certain goods and services were recorded as expenditure abatements or recoveries. Abatements and recoveries reduce expenditures and restore the applicable spending authority.

The collections recorded as expenditure abatements or recoveries and related expenditures were not, but could have been, budgeted for by the department. The department, in the future, should budget for these collections and related expenditures.

The department received monies from the sale of items, such as automobile accident photos, code books, DWI detection kits, and Attorney General's opinions. Collections were recorded by reducing the supplies and materials expense. The department began recording monies from the sale of Attorney General's opinions as revenue in January 1979.

The department also received monies for services. The highway patrol conducts a driving instruction course for state police and sheriff officers in Lewistown. Fees charged for the course were recorded by reducing expenses for repair and maintenance of cars used for the course and the instructor's travel to Lewistown.

The Identification Bureau also provided services for a fee. Record checks were performed for \$5 per individual. Until March 1979, these collections were recorded by reducing personal and contracted service expenses.

The collections described do not fit the definition of an expenditure abatement or recovery. The Montana Operations Manual (MOM) defines abatements as "collections of amounts erroneously expended" and recoveries as "collections of amounts originally expended as a convenience to others and the amount collected is specifically related to the amount expended." Recording revenue by offsetting expenditures eliminates

the effect of the entire transaction on the accounting records and understates actual revenue and expenses reflecting department activities.

Recording receipts by reducing expenditures allowed the department's actual expenditures to exceed the established spending authority for one appropriation allocation by \$8,900. The department's actual expenditures include SBAS reported expenditures and expenditure reductions not appropriately classified as abatements or recoveries.

RECOMMENDATION #6

We recommend that the department record as revenue monies received in exchange for goods and services.

FUND TRANSFERS

During fiscal year 1978-79, the Department of Justice made several transfers between funds. These transfers occurred when certain funds had insufficient cash balances. When funds had insufficient cash balances, department personnel would pay claims out of another fund. This transaction was reversed when sufficient monies were available in the original fund. The expenditure transaction was then recorded in the proper fund. Of 43 transfer transactions we reviewed, at least 13 transactions represented transfers between funds having insufficient cash balances.

For example, transfers were made to record expenditures from cost reimbursable grants in the proper fund. If cash balances in the federal and private revenue fund were insufficient, the department initially charged grant expenditures to the general fund. When the department received cost reimbursement, the expenditures recorded in the general fund were transferred to the federal and private revenue fund. The department should endeavor to obtain cash financing from federal sources before the need to make program expenditures arises.

To reduce multiple transfers and to initially record transactions in the proper fund, the department should obtain advance or direct financing or establish inter-entity loans when necessary for funds having insufficient cash balances.

RECOMMENDATION #7

We recommend that the department:

- A. Obtain advance or direct financing.
- B. Establish inter-entity loans when necessary to allow initial recording of expenditures in the proper fund to reduce fund transfers.

CASH RESTATEMENT

For full financial statement disclosure, accounts payable should be established and cash correspondingly

restated as of June 30 for all no-warrant transfers issued during the fiscal year-end adjustment period.

The fiscal year-end 1978-79 adjustment period was from July 2, 1979 to July 19, 1979. During this period, state agencies continued to pay fiscal year 1978-79 claims, reducing the June 30 cash balance instead of recording accruals or payables. To reflect the actual June 30 cash balance for financial statement purposes, the Department of Administration adjusted or restated many of the cash amounts paid during the adjustment period. They also established accounts payable for the corresponding amounts.

The June 30, 1979 restated cash and accounts payable adjustments included all transfer warrant claims and the payroll no-warrant transfers issued during the fiscal year-end adjustment period. No-warrant transfers, representing intrastate transactions, were not included in the cash restatement. These transactions totalled \$136,714 for the Department of Justice. Therefore, cash in treasury and accounts payable for the agency are misstated by \$136,714 at June 30, 1979.

RECOMMENDATION #8

We recommend that the Department of Administration restate cash and establish accounts payable as of June 30 for all

no-warrant transfers issued during the fiscal year-end adjustment period.

UNRECORDED ACCOUNTS RECEIVABLE

To fully disclose financial activity of the Department of Justice, accounts receivable should be recorded on the state's official accounting records at fiscal year-end. The department maintains accounts receivable on handkept memo records and does not record the account balances on the state's official accounting records.

The Montana Operations Manual (MOM) defines receivables as:

Claims held against others for services provided, goods sold, or taxes levied. Receivables include amounts billed or items submitted for collection for which moneys are to be collected in the near future. Agencies having bona fide receivables are required to record the receivables on the state's official accounting records.

Noncompliance with the MOM results in a net estimated understatement of \$72,302 in the accounts receivable and the reserve for deferred accounts receivable on the June 30, 1979 balance sheet.

RECOMMENDATION #9

We recommend that the department record accounts receivable on the state's official accounting records at fiscal year-end.

UNCLEARED COLLECTIONS BALANCE

To reflect all department revenues, monies recorded in an uncleared collections account should be recorded in the appropriate fund and revenue classification by fiscal year-end.

Highway Patrol Bureau collections are deposited in the uncleared collections account of the federal and private grant clearance fund. Each month these monies are transferred to the appropriate revenue codes within the general fund. Fiscal year-end SBAS reported \$31,426 in the uncleared collections account resulting in a corresponding understatement of the department's fiscal year 1978-79 revenue.

Management Memo 2-79-3 states that:

Cash received before June 30, 1979 and recorded as uncleared collections must be distributed to revenue or income control accounts prior to fiscal year-end cutoff. The uncleared collections control account must have a zero balance on the post closing financial report.

According to the Montana Operations Manual, an uncleared collections account should be used only when the correct disposition of the amount collected is not known at the time of collection. Because of the nature of these highway patrol receipts, the department could make deposits directly to the appropriate fund and revenue classification at the time of receipt.

As of July 1, 1979, Highway Patrol Bureau receipts are being deposited directly to the appropriate revenue account and fund.

RECOMMENDATION #10

We recommend that the department deposit highway patrol receipts directly to the appropriate fund and revenue classification.

FUND USE

Proper matching of fees collected with the associated expense would be achieved if revenues and related expenses were recorded in the same fund.

The department collected cost reimbursement fees of \$26,425 during fiscal year 1978-79 for data processing information requests. These receipts were deposited in the data processing revolving fund, while the related processing costs were charged to the motor vehicle earmarked revenue account.

By recording related revenues and expenditures in different funds, cash and revenue are overstated by \$26,425 in the revolving fund and understated in the earmarked revenue fund, respectively.

As of July 1, 1979, these fees are being deposited in the earmarked revenue fund. In October 1979, the department transferred the cash and revenue from the revolving fund to the earmarked revenue fund.

RECOMMENDATION #11

We recommend that the department match revenues and expenditures of the same fund.

ACCRUAL OF REVENUE

To match revenues and expenditures, the department should accrue all revenues susceptible to accrual in accordance with generally accepted accounting principles.

Management Memo 2-79-3A requires that revenues be recognized in the accounting period in which they become both measurable and available to finance expenditures of the fiscal year. For example, revenues should be accrued for federal cost reimbursable grants when expenditures have been made and reimbursement has not been received by fiscal year-end.

The Department of Justice receives federal cost reimbursement for certain grants. Reimbursement monies are recorded as revenue when received. These revenues, subject to accrual under generally accepted accounting principles, were not accrued at fiscal year-end. This unrecorded revenue accrual understates federal cost reimbursement receivables and fiscal year 1978-79 revenues by \$13,461.

RECOMMENDATION #12

We recommend that the department accrue all revenues susceptible to accrual in accordance with generally accepted accounting principles.

COMPLIANCE

The department should establish policies, procedures, and controls that comply with state law, Management Memos, and the Montana Operations Manual relating to the matters described below.

Contingent Revolving Fund

Insurance proceeds of approximately \$1,000 for stolen property were directly deposited in a contingent revolving fund account. The property was on loan to the Attorney General's Office. Because of this deposit, the account balance exceeded the amount authorized by the Department of Administration.

To repay the property owner for the loss, a check was drawn from the revolving account. Section 17-2-201, MCA, limits payments from the account to "demands requiring immediate attention."

By depositing the insurance proceeds and repaying the property owner directly from the contingent revolving fund, this transaction was never recorded on the state's official accounting records. These insurance proceeds should have been initially deposited in the bond proceeds and insurance clearance fund. The transaction, then, would have been recorded on the state's accounting records.

Personal Telephone Use

Law Enforcement Academy employees reimburse the department for personal long-distance calls made on

state telephones. The reimbursements are recorded by reducing the department's communication expense. Montana Operations Manual 1-0911.2 prohibits the use of state phones for personal long distance calls.

While the department generally discourages use of state phones for personal long distance calls, the Law Enforcement Academy, as a policy, allows state phone use for personal long distance calls as long as reimbursement is received.

Record of Stolen Vehicles

Currently, sheriffs and police chiefs report stolen and recovered vehicles to the Law Enforcement Telecommunications System Bureau. Section 61-3-106, MCA, requires that records of stolen or recovered vehicles be maintained at the Registrar's Bureau.

This section also requires that "the Registrar's Bureau of the Motor Vehicle Division shall check the motor and serial number on the motor vehicle to be registered against the stolen and recovered vehicle index." The Registrar's Bureau does not systematically compare the motor and serial numbers on all vehicles to be registered with records of stolen and recovered vehicles before issuance of titles.

The Registrar's Bureau could comply with this statute by utilizing and systematically verifying records of stolen and recovered vehicles maintained at the Law Enforcement Telecommunications System Bureau.

Classification of Chauffeurs

The department issues only one type of chauffeur's license to all qualified applicants. Section 61-5-112, MCA, requires the Highway Patrol Bureau to issue chauffeur's licenses according to class type. Each class of license would entitle an individual to operate a specific type of vehicle. For example, a license class would entitle an individual to operate a vehicle exceeding a certain weight or a truck/trailer combination.

The department has not implemented this statutory provision for classification of chauffeurs because funding has not been available.

Fire Marshal Oath of Office

The state fire marshal and special deputy fire marshals have not filed the oath of office required by section 50-3-108, MCA. We question the need for these state employees to file an oath of office.

Administrative Rule Review

Prior to the 1979 legislative session, agencies were required to at least annually review their Administrative Rules of Montana (ARM). Effective April 1979, section 2-4-314, MCA, requires agencies "to biennially review the ARM and determine if any new rule should be adopted or any existing rule modified or repealed." The department's rules are not up to date.

RECOMMENDATION #13

We recommend that the department comply with the state laws, Management Memos, and the Montana Operations Manual sections cited above or seek changes in state laws or regulations.

WORKERS' COMPENSATION INVESTIGATION

Accrual

The Department of Justice expected the Workers' Compensation Investigation to be completed in fiscal year 1978-79. Therefore, this program was not included in the fiscal year 1979-80 budget.

At fiscal 1978-79 year-end, the department realized that additional expense for staff travel and contracted services would be incurred in fiscal year 1979-80. The program's unexpended appropriation balances of \$58,744 were accrued for "contracted service billings not yet received."

Management Memo 2-78-3 provides:

If the appropriation provided funds to complete a given project, the entire amount of a service contract may be accrued even though the services are rendered in fiscal years subsequent to the fiscal year in which the expenditure is accrued.

The Attorney General appointed and contracted with a Special Assistant Attorney General to represent the state in all legal matters and prosecution arising from the audit of the state Workers' Compensation Division.

The Special Assistant Attorney General's commission expires upon completion of the investigation or on December 31, 1980, whichever occurs first.

According to the state's accounting policies, the department may properly charge the Special Assistant Attorney General's salary and expenses for fiscal years 1978-79 and 1979-80 against the accrual balance until December 31, 1980.

As of January 1980, \$140 in contracted services has been charged against the accrual.

Expenditures

A schedule of Workers' Compensation expenditures for fiscal years 1976-77, 1977-78, and 1978-79 is detailed in the following table.

	<u>DEPARTMENT OF JUSTICE</u>		
	<u>SCHEDULE OF WORKERS' COMPENSATION INVESTIGATION EXPENDITURES</u>		
	<u>FISCAL YEARS 1976-77, 1977-78, AND 1978-79</u>		
	<u>Fiscal</u> <u>Year</u> <u>1976-77</u> ^{1, 2}	<u>Fiscal</u> <u>Year</u> <u>1977-78</u> ¹	<u>Fiscal</u> <u>Year</u> <u>1978-79</u>
Personal Services	\$170,237	\$ 51,694	\$ 23,534
Operating Expenses	208,362	80,685	111,256
Equipment	-0-	-0-	2,161
Total	<u>\$378,599</u>	<u>\$132,379</u>	<u>\$136,951</u>

¹Expenditures for fiscal years 1976-77 and 1977-78 were not audited.

²Fiscal year 1976-77 Workers' Compensation Investigation expenditures include charges of \$184,314 from appropriations that were not continued into subsequent years.

Table 2

Source: Compiled by the Office of the Legislative Auditor

AUDITOR'S REPORT AND FINANCIAL STATEMENTS

Office of the Legislative Auditor

STATE CAPITOL
HELENA, MONTANA 59601
406/449-3122



ORRIS L. BRUSETT, C.P.A.
LEGISLATIVE AUDITOR

ELLEN FEAVER, C.P.A.
DEPUTY LEGISLATIVE AUDITOR
JOHN W. NORTHEY
STAFF LEGAL COUNSEL

The Legislative Audit Committee
of the Montana State Legislature:

We have examined the Balance Sheet as of June 30, 1979 and the statements of operations for the year ended June 30, 1979 as listed in the table of contents of this report for the Department of Justice, excluding the Crime Control Division. Except as set forth in the following paragraph, our examination was made in accordance with generally accepted auditing standards and included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The accompanying Statement of Revenue Compared to Revenue Estimates and the Statement of Changes in Fund Balance of the Earmarked Revenue Fund include motor vehicle registration fee receipts of \$769,483 for which department records and controls are inadequate. These fees represent 39 percent of the department's total earmarked revenues. This matter is further described on pages 9-14 of this report. Due to the inadequate records and controls, we are unable to satisfy ourselves as to the reasonableness of this amount reported on the financial statements.

The department has not maintained cost records for all its fixed assets and equipment. Accordingly, a Statement of General Fixed Assets required by generally accepted accounting principles is not included in the financial statements.

Department of Justice revenues from driver license fees and highway patrol fines of \$1,830,796 are not included in the General Fund for the Statement of Revenue Compared to Revenue Estimates and the Statement of Changes in Fund Balance. These fee and fine revenues were recorded by the Department of Administration.

The department made payments subsequent to June 30, 1979 which were accounted for as reductions of cash as of year-end in the General Fund. Therefore, cash and accounts payable on the Balance Sheet for the General Fund are understated by \$113,154.

Cash recorded as uncleared collections in the Federal and Private Grant Clearance Fund was not transferred to the General Fund by fiscal year-end. Uncleared collections must be distributed to revenue or income accounts by fiscal year-end. By not distributing these receipts, cash and uncleared collections on the

Balance Sheet for the Federal and Private Grant Clearance Fund are overstated by \$31,426 and General Fund revenue is understated by \$31,426.

As discussed on pages 18-20, the Department of Justice has four "property held in trust" accounts on its records. The Department of Revenue is the administering agency for these accounts. A transfer closing these four "property held in trust" account balances from the Department of Justice records to the Department of Revenue records was never made. A fifth "property held in trust" account is administered solely by the Department of Justice. This account represents unclaimed property which should be transferred to the Department of Revenue. As a result, the account, "Accountability for Property Held in Trust," on the Combined Balance Sheet and on the Statement of Changes in Assets and Liabilities for the Agency Fund is overstated by \$475,749. The Net Assets/(Liabilities), as reported on the Statement of Changes in Assets and Liabilities for the Agency Fund is understated in its entirety.

The department received reimbursement for the cost of providing data processing information at the Registrar's Bureau. This revenue was recorded in the Revolving Fund. Costs for providing the information were charged to the Earmarked Revenue Fund. The related revenues should have been recorded in the Earmarked Revenue Fund. Accordingly, cash in treasury and revenue are overstated by \$26,425 in the Revolving Fund and understated by \$26,425 in the Earmarked Revenue Fund.

The department did not record accounts receivable on the state's official accounting records. By not recording these receivables, assets are understated on the Balance Sheet for the General Fund, Federal and Private Revenue Fund, and Revolving Fund by \$38,690, \$15,461, and \$4,605, respectively.

Because of the effects of the item discussed in paragraph two, we were not able to perform adequate alternative auditing procedures which we considered necessary in order to express an opinion on \$769,483 of motor vehicle registration fee receipts. Therefore, we do not express an opinion for the Earmarked Revenue Fund on (1) the Combined Balance Sheet as of June 30, 1979, (2) the Statement of Revenue Compared to Revenue Estimates, and (3) the Statement of Changes in Fund Balance for the fiscal year ended June 30, 1979.

In our opinion, because of the effects of the matters discussed above, the financial statements listed below do not present fairly, in conformity with generally accepted accounting principles, the financial position of such funds of the Department of Justice, excluding the Crime Control Division, as of June 30, 1979 or the results of its operations and changes in its fund balance/ financial position for the fiscal year then ended:

<u>Statement Name</u>	<u>Fund</u>
Balance Sheet	General Fund Federal and Private Revenue Fund Federal and Private Grant Clearance Fund Revolving Fund Agency Fund
Statement of Revenue Compared to Revenue Estimates	General Fund Revolving Fund
Statement of Changes in Fund Balance	General Fund Federal and Private Revenue Fund Revolving Fund
Statement of Changes in Assets and Liabilities	Agency Fund

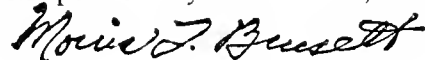
In our opinion, the financial statements listed below present fairly the financial position of such funds of the Department of Justice, excluding the Crime Control Division, as of June 30, 1979 and the results of operations and changes in its fund balances for the fiscal year then ended in conformity with generally accepted accounting principles applied on a consistent basis:

<u>Statement Name</u>	<u>Fund</u>
Statement of Revenue Compared to Revenue Estimates	Federal and Private Revenue Fund
Statement of Expenditures Compared to Appropriations	General Fund Earmarked Revenue Fund Federal and Private Revenue Fund Revolving Fund
Statement of Changes in Fund Balance	Federal and Private Grant Clearance Fund

The accompanying Schedule of Expenditures by Object and Program, Schedule of Expenditures Compared to Appropriations by Program, the items titled "Combined Total (Memorandum Only)" on the

Balance Sheet and Statement of Revenue Compared to Revenue Estimates and the "Total Special Revenue Funds (Memorandum Only)" on the Statement of Expenditures Compared to Appropriations, Special Revenue Funds, are not necessary for fair presentation of the financial statements but are presented as supplemental information. This information has been subjected to the tests and other auditing procedures applied in our examination of the financial statements, and in our opinion, except for those matters noted in paragraphs two, four through seven and nine, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Respectfully submitted,

A handwritten signature in cursive script, reading "Morris L. Brusett".

Morris L. Brusett, CPA

October 5, 1979

DEPARTMENT OF JUSTICE
EXCLUDING THE CRIME CONTROL DIVISION
COMBINED BALANCE SHEET - ALL FUNDS
JUNE 30, 1979

	Governmental Funds		
	General Fund	Special Revenue Funds	
	General Fund	Earmarked Revenue Fund	Federal and Private Revenue Fund
<u>ASSETS</u>			
Cash	\$950	\$969,908	\$ 46,896
Miscellaneous Receivables	3,087	211	(168)
Inter-Entity Loans Receivable (See Note 5)		17,500	
Appropriation Authority to Pay Accrued Expenditures & Payables	332,555		
TOTAL ASSETS	<u>\$336,592</u>	<u>\$987,619</u>	<u>\$ 46,728</u>
<u>LIABILITIES, RESERVES AND FUND EQUITY</u>			
Accounts Payable	\$164,267	\$194,128	\$ 33,391
Inter-Entity Loans Payable (See Note 5)		10,000	10,500
Accrued Support Expenditures	168,288	196,244	9,044
Uncleared Collections (See Note 6)		(1,761)	
Accountability for Advances			8,885
Accountability for Property Held in Trust			
Reserve for Miscellaneous Receivables	3,087		
Reserve for General Fund Cash Advances	950		
Fund Balance	-0-	589,008	(15,092)
TOTAL LIABILITIES AND FUND BALANCE	<u>\$336,592</u>	<u>\$987,619</u>	<u>\$ 46,728</u>

Fiduciary Fund
Trust and Agency
Fund

<u>Federal and Private Grant Clearance Fund</u>	<u>Revolving Fund</u>	<u>Agency Fund</u>	<u>Combined Total (Memorandum Only)</u>
\$31,393 7	\$39,239	\$19,708	\$1,108,094 3,137 17,500
			332,555
<u>\$31,400</u>	<u>\$39,239</u>	<u>\$19,708</u>	<u>\$1,461,286</u>
	\$ 38		\$ 391,824 20,500 373,576 29,665 8,885
\$31,426		475,749	475,749 3,087
(26)	39,201	(456,041)	950 157,050
<u>\$31,400</u>	<u>\$39,239</u>	<u>\$19,708</u>	<u>\$1,461,286</u>

The Notes to the Financial Statements are an integral part of this statement.

DEPARTMENT OF JUSTICE
EXCLUDING THE CRIME CONTROL DIVISION
STATEMENT OF REVENUE COMPARED TO REVENUE ESTIMATES
GOVERNMENTAL FUNDS
FISCAL YEAR ENDED JUNE 30, 1979

	<u>General Fund</u>		<u>Governmental Funds</u> <u>Special Revenue Funds</u>	
<u>Statewide Revenue</u> <u>Classification</u>	<u>General Fund</u>		<u>Earmarked</u> <u>Revenue Fund</u>	
	<u>Estimated</u>	<u>Actual</u>	<u>Estimated</u>	<u>Actual</u>
Licenses and Permits:				
Operator/Chauffeur Driving License		\$ 5,720		
Duplicate Driving License		6,665		
Vehicle Licenses and Permits, Net of Refunds			\$1,830,000	\$1,884,435
Snowmobile Registration			1,500	1,591
Fire Protection Systems	\$ 500	545		
Service Fees:				
Administrative Fees				5,680
Law Enforcement Academy Tuition Fees			30,000	34 925
Certified Operators Abstract Fee	430,454	433,855		
Governmental Service:				
Service Fees				
Nonstate Teletype System Fees				
Municipal Government Miscellaneous			48,249	35,860
				520
Sales of Documents, Merchandise and Property:				
Copies of Papers, Records, Official Documents and Orders Sold	1,700	2,415	35,000	832
Fiduciary and Trust Transfers:				
Escheated Estates			20,859	23,341
Miscellaneous:				
Miscellaneous Receipts		250		1,127
Income Collections and Transfers:				
Income Transfers				
Intrastate Services				
Federal Assistance:				
Department of Commerce				
Department of Justice				
Department of Labor				
Department of Transportation				
TOTAL ESTIMATED AND				
ACTUAL REVENUES	<u>\$432,654</u>	<u>\$449,450</u>	<u>\$1,965,608</u>	<u>\$1,988,311</u>

Federal and Private Revenue Fund		Revenue Fund		Combined Total Revenues (Memorandum Only)	
Estimated	Actual	Estimated	Actual	Estimated	Actual
					\$ 5,720
					6,665
				\$1,830,000	1,884,435
				1,500	1,591
				500	545
					5,680
				30,000	34,925
				430,454	433,855
			\$ 26,425		26,425
		\$61,558	69,892	61,558	69,892
				48,249	35,860
					520
		1,500	1,135	38,200	4,382
				20,859	23,341
	\$ 740				2,117
\$ 68,000	48,300			68,000	48,300
		18,500	16,700	18,500	16,700
30,000	5,500			30,000	5,500
376,977	117,347			376,977	117,347
94,662	30,266			94,662	30,266
284,000	232,630			284,000	232,630
\$553,639	\$434,783	\$81,558	\$114,152	\$3,333,439	\$2,986,696

The Notes to the Financial Statements are an integral part of this statement.

DEPARTMENT OF JUSTICE
EXCLUDING THE CRIME CONTROL DIVISION
STATEMENT OF EXPENDITURES COMPARED TO APPROPRIATIONS
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 1979

Program Name	Appropriations	Amendments	Total Available	Expended Prior Years	Expended Current Year	Unexpended Balance
Legal Services	\$ 380,418	\$(10,000)	\$ 370,418	\$ -0-	\$ 370,239	\$ 179
County Prosecutor Services	145,850	3,000	148,850	-0-	148,068	782
Workers' Compensation Investigation	463,642	-0-	463,642	326,664	136,951	27
Antitrust Enforcement	-0-	20,000	20,000	-0-	19,960	40
Motor Vehicle Administration	19,188	(3,000)	16,188	-0-	14,804	1,384
Patrol Operations	439,988	(42,558)	397,430	-0-	396,955	475
Driver Licensing	973,751	59,558	1,033,309	-0-	1,032,824	485
Field Services	1,859,854	(17,000)	1,842,854	-0-	1,842,854	-0-
County Attorney Payroll	450,220	-0-	450,220	-0-	450,219	1
Crime Lab	138,967	-0-	138,967	-0-	138,949	18
Law Enforcement Telecommunications System	235,129	-0-	235,129	-0-	232,069	3,060
Law Enforcement Academy	272,063	19,268	291,331	-0-	288,709	2,622
Fire Marshal	177,960	(6,000)	171,960	-0-	168,770	3,190
Identification Bureau	72,229	(3,000)	69,229	-0-	66,342	2,887
Central Services	267,287	(1,000)	266,287	-0-	266,274	13
Defense of Coal Tax	-0-	75,000	75,000	-0-	25,783	49,217
Total General Fund	\$5,896,546	\$94,268	\$5,990,814	\$326,664	\$5,599,770	\$64,380

The Notes to the Financial Statements are an integral part of this statement.

DEPARTMENT OF JUSTICE
EXCLUDING THE CRIME CONTROL DIVISION
STATEMENT OF EXPENDITURES COMPARED TO APPROPRIATIONS
SPECIAL REVENUE FUNDS
FISCAL YEAR ENDED JUNE 30, 1979

EARMARKED REVENUE FUND

Program Name	Appropriations	Amendments	Total Available	Expended Prior Years	Expended Current Year	Unexpended Balance
Escheated Estates	\$ 23,341	\$ -0-	\$ 23,341	\$ -0-	\$ 21,449	\$ 1,892
County Prosecutor Services	48,249	-0-	48,249	-0-	46,296	1,953
Motor Vehicle Administration	22,528	-0-	22,528	-0-	21,845	683
Patrol Operations	153,708	(27,442)	126,266	-0-	126,266	-0-
Driver Licensing	457,130	34,752	491,882	-0-	465,909	25,973
Field Services	3,275,260	45,827	3,321,087	-0-	3,320,095	992
Pegistrar's Bureau	1,242,749	258,716	1,501,465	-0-	1,409,079	92,386
Law Enforcement Academy	30,782	6,000	36,782	-0-	36,782	-0-
Central Services	-0-	45,492	45,492	-0-	43,682	1,810
Data Processing	322,345	(322,345)	-0-	-0-	-0-	-0-
Total Earmarked Revenue Fund	\$5,576,092	\$ 41,000	\$5,617,092	-0-	\$5,491,403	\$125,689

FEDERAL AND PRIVATE REVENUE FUND

Program Name	Appropriations	Amendments	Total Available	Expended Prior Years	Expended Current Year	Unexpended Balance
Legal Services	\$ 24,985	\$ (2,002)	\$ 22,983	\$ 2,535	\$ 13,467	\$ 6,981
County Prosecutor Services	58,393	24,167	82,560	27,050	35,756	19,754
Antitrust Enforcement	141,915	-0-	141,915	8,510	133,320	85
Driver Licensing	104,145	26,009	130,154	30,252	72,625	27,277
Field Services		249,995	249,995	-0-	166,299	83,696
Crime Lab		75,200	75,200	-0-	71,121	4,079
Law Enforcement Telecommunications System		2,223	2,223	-0-	1,980	243
Law Enforcement Academy	9,678	33,158	42,836	7,896	24,846	10,094
Fire Marshal	29,900	17,355	47,255	-0-	25,548	21,707
Total Federal and Private Revenue Fund	\$ 369,016	\$426,105	\$ 795,121	\$76,243	\$ 544,962	\$173,916
Total Special Revenue Funds (Memorandum Only)	\$5,945,108	\$467,105	\$6,412,213	\$76,243	\$6,036,365	\$299,605

The Notes to the Financial Statements are an integral part of this statement.

DEPARTMENT OF JUSTICE
STATEMENT OF EXPENDITURES COMPARED TO APPROPRIATIONS
REVOLVING FUND
FISCAL YEAR ENDED JUNE 30, 1979

<u>Program Name</u>	<u>Appropriations</u>	<u>Amendments</u>	<u>Total Available</u>	<u>Expended Current Year</u>	<u>Unexpended Balance</u>
Driver Licensing	\$ 1,500	\$-0-	\$ 1,500	\$ 506	\$ 994
Law Enforcement Telecommunications System	80,058	9,000	89,058	87,508	1,550
Total Revolving Fund	<u>\$81,558</u>	<u>\$9,000</u>	<u>\$90,558</u>	<u>\$88,014</u>	<u>\$2,544</u>

The Notes to the Financial Statements are an integral part of this statement.

DEPARTMENT OF JUSTICE
EXCLUDING THE CRIME CONTROL DIVISION
STATEMENT OF CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FISCAL YEAR ENDED JUNE 30, 1979

	Governmental Funds				
	General Fund	Special Revenue Funds	Federal and Private Revenue Fund	Federal and Private Grant Clearance Fund	Revolving Fund
FUND BALANCE, (Deficit) JULY 1, 1978	\$ -0-	\$ 750,324	\$ 22,906	\$ (26)	\$ 13,063
ADDITIONS:					
Revenue and Income	449,450	1,988,311	434,783		114,152
Prior Year Revenue Adjustments		10,472	16,549		
Expenditures Charged to Prior Years Appropriations	43,772				
Transfer from Consolidated Entity		3,704,390	88,315		
Appropriations Balance and Additions	<u>5,990,814</u>	<u>6,453,497</u>	<u>562,553</u>	<u>(26)</u>	<u>127,215</u>
DEDUCTIONS:					
Expenditures and Withdrawals	5,599,770	5,491,403	544,962		88,014
Prior Year Expenditure Adjustments	43,772	(1,725)	28,714		
Prior Year Income Adjustments			3,969		
Prior Year Support Expenditures	326,664				
Revenue Transferred to General Fund	449,450				
Transfer to Consolidated Entity		374,811			
Appropriations Reverted	<u>64,380</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>
Total Deductions	<u>6,484,036</u>	<u>5,864,489</u>	<u>577,645</u>	<u>-0-</u>	<u>88,014</u>
FUND BALANCE, (Deficit) JUNE 30, 1979	\$ <u>-0-</u>	\$ <u>589,008</u>	\$ <u>(15,092)</u>	\$ <u>(26)</u>	\$ <u>39,201</u>

The Notes to the Financial Statements are an integral part of this statement.

DEPARTMENT OF JUSTICE
EXCLUDING THE CRIME CONTROL DIVISION
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FIDUCIARY FUNDS - AGENCY FUND
FISCAL YEAR ENDED JUNE 30, 1979

	June 30, 1978 Beginning Balance	Additions	Deductions	June 30, 1979 Ending Balance
<u>ASSETS</u>				
Cash	\$ 64,792	\$23,341	\$(68,425)	\$ 19,708
<u>LIABILITIES</u>				
Accountability for Property Held in Trust	(475,863)	-0-	114	(475,749)
NET ASSETS/(LIABILITIES)	<u>\$(411,071)</u>	<u>\$23,341</u>	<u>\$(68,311)</u>	<u>\$(456,041)</u>

The Notes to the Financial Statements are an integral part of this statement.

DEPARTMENT OF JUSTICE
EXCLUDING THE CRIME CONTROL DIVISION
Notes to the Financial Statements
Fiscal Year Ended June 30, 1979

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The preceding financial statements were prepared from the Statewide Budgeting and Accounting System (SBAS).

The state of Montana utilizes the modified accrual basis of accounting. Under the modified accrual basis of accounting, expenditures are recorded on the basis of valid obligations. Revenues are recorded when received in cash unless susceptible to accrual. Revenues are susceptible to accrual if 1) they are measurable and available to finance expenditures of the fiscal period or 2) are material in amount and are not received at the normal time of receipt.

Fund Types

The state of Montana accounts are organized by a fund structure as outlined in section 17-2-102, MCA. For financial presentation, these funds have been reclassified according to the National Council on Governmental Accounting (NCGA), Governmental Accounting and Financial Reporting Principles Statement 1.

Governmental Funds

The General Fund - to account for all monies, except those monies required to be accounted for

in another fund. General Fund monies deposited in the state treasury are available to defray the costs of state government.

Special Revenue Funds - to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. Special revenue funds include the earmarked revenue fund and the federal and private revenue fund.

Federal and Private Grant Clearance Fund - This account of the Montana fund structure is included as a governmental fund because uncleared collections representing revenue distributions to the general fund were recorded in this fund.

Revolving Fund - Because the cost of governmental services is substantially supported by the general fund, the department's revolving fund is classified as a governmental fund.

Fiduciary Funds

Trust and Agency Funds - to account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, or other governmental units. The department's agency fund is classified as a trust and agency/fiduciary fund.

Inventories

There is no recorded asset for supplies inventory. Supplies are expensed at the time of purchase.

General Fixed Assets

The financial statements do not reflect the cost of general fixed assets. General fixed assets purchased are recorded as expenditures in the various funds at the time of purchase. Also, there are no accounting controls for the general fixed assets group of accounts. Depreciation is not provided on general fixed assets.

Vacation and Sick Leave

Liabilities incurred because of employees' unused vacation and sick pay are not recorded. The related expenditures are recorded when paid. Permanent employees are allowed to accumulate and carryover into 90 days of a new calendar year a maximum of two times their annual accumulation of vacation. Upon termination, qualifying employees having unused accumulated vacation and sick leave, receive 100% payment for vacation and 25% payment for sick leave. The liability amount associated with unused accumulated vacation and sick leave at June 30, 1979 is maintained on an hourly basis rather than by dollar amount. The monetary liability is not calculated until an employee terminates.

2. CRIME CONTROL DIVISION

These financial statements report the activity of the Department of Justice excluding the Crime Control Division.

3. LEASES

The department made payments of approximately \$300,000 for leased facilities and equipment in fiscal year 1978-79. Lease rentals are recorded as expenditures over the lease term as they become payable. Commitments under lease agreements, classified as operating leases, provide for the following minimum lease payments:

1980 - \$114,345
1981 - \$107,000
1982 - \$107,000
1983 - \$107,000
1984 - \$107,000

4. EMPLOYEES' RETIREMENT SYSTEMS

The department's employees are covered by the Public Employees' Retirement System (PERS) and the Highway Patrol Retirement System (HPRS). Under these plans, the state contributes 5.9% and 16% of an employee's gross wages to PERS and HPRS, respectively. Total pension contributions made by the department during fiscal year 1978-79 were \$174,713 to PERS and \$562,435 to HPRS.

At June 30, 1978, the Public Employees' Retirement System was actuarially sound while the Highway Patrol Retirement System was actuarially unsound. The unfunded past service costs and the actuarially computed value of vested benefits were not readily available for members of the plans employed by the agency in fiscal year 1978-79. The unfunded liability for the Highway Patrol Retirement System at June 30, 1978 as determined by an actuarial valuation was \$8,144,931.

5. INTER-ENTITY LOANS PAYABLE

As reported on the balance sheet, inter-entity loans payable by fund and program include the following:

Earmarked Revenue Fund	
County Prosecutor Services	\$10,000
Federal and Private Revenue Fund	
Law Enforcement Telecommunication	
System	7,500
Highway Patrol	3,000
Total Inter-entity Loans Payable	<u>\$20,500</u>

Of the total loans payable, \$17,500 is represented as a receivable in the Earmarked Revenue Fund on the balance sheet. The \$3,000 loan payable is a Department of Administration General Fund receivable.

Except for the \$7,500 inter-entity loan, the department has repaid its loans outstanding at June 30, 1979.

6. UNCLEARED COLLECTIONS

The department records certain collections for the Federal and Private Grant Clearance and Earmarked Revenue Funds as "uncleared collections." Uncleared collections represent collections in which the revenue distribution is not known at the time of receipt.

On June 30, 1979, uncleared collections totalled \$29,665 as reported on the balance sheet. These uncleared collections were distributed to the applicable revenue classifications and funds subsequent to June 30, 1979.

7. ACCOUNTS RECEIVABLE

Because accounts receivable were not established on the state's official accounting records at June 30, 1979, accounts receivable amounts are not reflected on

the department's financial statements. Estimates of unrecorded accounts receivable by source include:

Motor Vehicle Requests	\$37,588
Miscellaneous Items	798
CETA-PSE Reimbursements	5,961
Information Requests	4,160
County Prosecutor Services	12,863
Attorney General Opinions	305
Law Enforcement Academy	1,616
Mobile Home Fire Investigation	7,500
Law Enforcement Telecommunication System	329
Fire Marshal Bureau Grant	<u>2,000</u>
Total Estimated Unrecorded Receivables	<u>\$73,120</u>

Estimates of unrecorded accounts receivable by fund include:

General Fund	\$38,690
Earmarked Revenue Fund	14,364
Federal and Private Revenue Fund	15,461
Revolving Fund	<u>4,605</u>
Total Funds	<u>\$73,120</u>

The estimated unrecorded accounts receivable include receivables of \$818 determined as uncollectible. Therefore, net accounts receivable for the Department of Justice are estimated at \$72,302.

8. REVENUE COLLECTED BY OTHER AGENCIES

During fiscal year 1978-79, the Department of Administration recorded revenues of \$658,976 and \$1,171,820, respectively, for Highway Patrol fines and driver license fees.

Effective July 1, 1979, driver license fee revenues are being recorded by the Department of Justice.

DEPARTMENT OF JUSTICE
EXCLUDING THE CRIME CONTROL DIVISION
SCHEDULE OF EXPENDITURES BY OBJECT AND PROGRAM
FISCAL YEAR ENDED JUNE 30, 1979

	<u>Legal Services</u>	<u>Escheated Estates</u>	<u>County Prosecutor Services</u>	<u>Workers' Compensation Investigation</u>
Personal Services				
Salaries	\$264,076	\$ 9,021	\$144,329	\$ 20,472
Hourly Wages	1,214		128	10
Employee Benefits	35,383	1,325	20,060	3,052
Other Compensation				
Total Personal Services	<u>300,673</u>	<u>10,346</u>	<u>164,517</u>	<u>23,534</u>
Operating Expenses				
Contracted Services	14,563	9,810	11,113	107,589
Supplies and Materials	14,436	137	9,219	(14)
Communications	13,309		5,257	1,188
Travel	13,301	377	27,514	
Rent	11,822		5,049	2,493
Utilities			117	
Repairs and Maintenance	3,301		2,388	
Other	4,412	45	3,359	
Total Operating Expenses	<u>75,144</u>	<u>10,369</u>	<u>64,016</u>	<u>111,256</u>
Equipment	<u>7,889</u>	<u>734</u>	<u>1,587</u>	<u>2,161</u>
Expenditures Excluding Transfers	<u>383,706</u>	<u>21,449</u>	<u>230,120</u>	<u>136,951</u>
Transfers		<u>23,341</u>		
Total Expenditures and Transfers	<u>\$383,706</u>	<u>\$44,790</u>	<u>\$230,120</u>	<u>\$136,951</u>

<u>Antitrust Enforcement</u>	<u>Motor Vehicle Administration</u>	<u>Patrol Operations</u>	<u>Driver Licensing</u>	<u>Field Services</u>
\$ 92,384	\$21,770	\$313,191	\$ 815,877	\$3,059,008
65			28,049	
12,618	2,981	59,393	149,096	603,347
<u>105,067</u>	<u>24,751</u>	<u>372,584</u>	<u>993,022</u>	<u>3,662,355</u>
5,533	4,834	30,821	261,298	51,594
5,869	818	26,927	52,193	471,882
4,052	450	22,810	27,021	44,508
13,067	702	3,386	34,279	184,549
5,022	1,660	23,901	61,272	32,919
256		1,024	2,522	9,144
93	81	10,501	29,076	254,708
13,990	1,731	6,499	7,083	4,264
<u>47,882</u>	<u>10,276</u>	<u>125,869</u>	<u>474,744</u>	<u>1,053,568</u>
331	1,622	24,768	104,098	613,325
<u>153,280</u>	<u>36,649</u>	<u>523,221</u>	<u>1,571,864</u>	<u>5,329,248</u>
<u>\$153,280</u>	<u>\$36,649</u>	<u>\$523,221</u>	<u>\$1,571,864</u>	<u>\$5,329,248</u>

DEPARTMENT OF JUSTICE
EXCLUDING THE CRIME CONTROL DIVISION
SCHEDULE OF EXPENDITURES BY OBJECT AND PROGRAM
FISCAL YEAR ENDED JUNE 30, 1979
(Continued)

	Registrar's Bureau	County Attorney Payroll	Crime Lab	Law Enforcement Tele- Communications System	Law Enforcement Academy
Personal Services					
Salaries	\$ 646,524	\$400,411	\$118,146	\$ 73,508	\$125,117
Hourly Wages			131		
Employee Benefits	107,535	49,808	17,983	10,723	19,031
Other Compensation	823				
Total Personal Services	<u>754,882</u>	<u>450,219</u>	<u>136,260</u>	<u>84,231</u>	<u>144,148</u>
Operating Expenses					
Contracted Services	292,415		4,047	30,069	23,258
Supplies and Materials	21,977		23,795	1,750	24,364
Communications	102,639		4,079	167,722	5,109
Travel	3,097		7,406	1,791	54,244
Rent	62,752		4,236	25,882	80,697
Utilities	6,031		2,150	342	1,121
Repairs and Maintenance	13,607		3,462	8,367	7,182
Other	7,181		2,727	1,403	2,088
Total Operating Expenses	<u>509,699</u>	<u>-0-</u>	<u>51,902</u>	<u>237,326</u>	<u>198,063</u>
Equipment	<u>144,498</u>		<u>21,908</u>		<u>8,126</u>
Expenditures Excluding Transfers	<u>1,409,079</u>	<u>450,219</u>	<u>210,070</u>	<u>321,557</u>	<u>350,337</u>
Transfers					
Total Expenditures and Transfers	<u>\$1,409,079</u>	<u>\$450,219</u>	<u>\$210,070</u>	<u>\$321,557</u>	<u>\$350,337</u>

<u>Fire Marshal</u>	<u>Identification Bureau</u>	<u>Central Services</u>	<u>Data Processing</u>	<u>Defense of Coal Tax</u>	<u>Totals</u>
\$112,994	\$44,394	\$187,406			\$ 6,448,628
16,734	7,036	27,532			29,597
					1,143,637
					823
<u>129,728</u>	<u>51,430</u>	<u>214,938</u>	<u>\$-0-</u>	<u>\$ -0-</u>	<u>7,622,685</u>
7,938	1,110	57,652		23,710	937,354
10,796	2,771	4,298		428	671,646
5,022	2,966	6,394		778	413,304
9,061	588	1,822		867	356,051
7,560	5,972	14,767			346,004
540	374	591			24,212
3,242	333	3,033			339,374
<u>1,187</u>	<u>150</u>	<u>2,073</u>			<u>58,192</u>
<u>45,346</u>	<u>14,264</u>	<u>90,630</u>	<u>-0-</u>	<u>25,783</u>	<u>3,146,137</u>
<u>19,244</u>	<u>648</u>	<u>4,388</u>			<u>955,327</u>
<u>194,318</u>	<u>66,342</u>	<u>309,956</u>	<u>-0-</u>	<u>25,783</u>	<u>11,724,149</u>
					23,341
<u>\$194,318</u>	<u>\$66,342</u>	<u>\$309,956</u>	<u>\$-0-</u>	<u>\$25,783</u>	<u>\$11,747,490</u>

DEPARTMENT OF JUSTICE
EXCLUDING THE CRIME CONTROL DIVISION
SCHEDULE OF EXPENDITURES COMPARED TO APPROPRIATIONS BY PROGRAM
FISCAL YEAR ENDED JUNE 30, 1979

Program Totals by Name	Appropriations	Amendments	Total Available	Expended Prior Years	Expended Current Year	Unexpended Balance
Legal Services	\$ 405,403	\$(12,002)	\$ 393,401	\$ 2,535	\$ 383,706	\$ 7,160
Escheated Estates	23,341	-0-	23,341	-0-	21,449	1,892
County Prosecutor Services	252,492	27,167	279,659	27,050	230,120	22,489
Workers' Compensation Investigation	463,642	-0-	463,642	326,664	136,951	27
Antitrust Enforcement	141,915	20,000	161,915	8,510	153,280	125
Motor Vehicle Administration	41,716	(3,000)	38,716	-0-	36,649	2,067
Patrol Operations	593,696	(70,000)	523,696	-0-	523,221	475
Driver Licensing	1,536,526	120,319	1,656,845	30,252	1,571,864	54,729
Field Services	5,135,114	278,822	5,413,936	-0-	5,329,248	84,688
Registrar's Bureau	1,242,749	258,716	1,501,465	-0-	1,409,079	92,386
County Attorney Payroll	450,220	-0-	450,220	-0-	450,219	1
Crime Lab	138,967	75,200	214,167	-0-	210,070	4,097
Law Enforcement Telecommunications System	315,187	11,223	326,410	-0-	321,557	4,853
Law Enforcement Academy	312,523	58,426	370,949	7,896	350,337	12,716
Fire Marshal	207,860	11,355	219,215	-0-	194,318	24,897
Identification Bureau	72,229	(3,000)	69,229	-0-	66,342	2,887
Central Services	267,287	44,492	311,779	-0-	309,956	1,823
Data Processing	322,345	(322,345)	-0-	-0-	-0-	-0-
Defense of Coal Tax	-0-	75,000	75,000	-0-	25,783	49,217
All Program Totals	\$11,923,212	\$570,373	\$12,493,585	\$402,907	\$11,724,149	\$366,529

AGENCY REPLIES

STATE
OF
MONTANA
ATTORNEY GENERAL
MIKE GREELY

STATE CAPITOL, HELENA, MONTANA 59601 TELEPHONE 406-449-9126

17 April 1980

Mr. Morris L. Brusett
Legislative Auditor
Office of the Legislative Auditor
Capitol
Helena, Montana 59601

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PR 1 1 80

MONTANA LEGISLATIVE AUDITOR

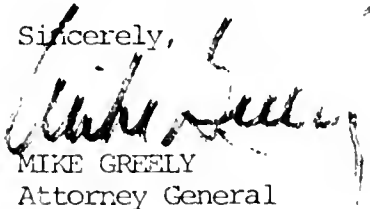
Dear Morris:

The staff of the Department of Justice has reviewed your audit report on the examination of financial statements for fiscal year 1979 and we have included in this correspondence our collective responses. Overall we are pleased with the results of the report and although there are some minor procedural matters which will be corrected immediately, we feel the report verifies that the conduct and procedures of the Department are of the highest standards.

While the report does cover the financial matters of the Department and your recommendations (which we believe are the result of a very professional and competent staff) we do not concur with all the recommendations. The following will state our position on all thirteen recommendations, stating the recommendation then followed by the response.

The department would like to commend your staff on conducting themselves as professionals and for their pleasantness as they conducted the audit.

Sincerely,



MIKE GREELY
Attorney General

enclosure

RECOMMENDATION #1

We recommend that the department:

- A. Cooperate with the Department of Community Affairs in establishing accountability for motor vehicle registration documents and tabs to enable reconciliation of recorded revenues with fees generated from documents and tabs issued.
- B. Establish procedures for timely processing and fiscal year-end processing cutoff of motor vehicle documents.

RESPONSE #1

We disagree with these recommendations and findings. We would agree to a strengthening of controls, however; total reconciliation between receipts issued, money received and receipts processed would be very timely and costly. We believe this responsibility belongs to Local Government Services Division, Department of Community Affairs (DCA). The Department of Justice agrees to cooperate with DCA to strengthen controls.

Specifically, we have the following problems with this item:

1. Many of the controls that would be required, if we implemented the recommendation would have to be performed by the county. We believe the Division presently does not have the clear-cut authority to require this, nor do we have any enforcement mechanism to ensure compliance.
2. To maintain controls as suggested would be costly to the Registrar's Office requiring legislative approval of a budget modification.
3. Such a situation as described in Table 1 would still exist, even if we had the controls. For example, as of 30 June 1979 we

estimated we were behind about 40 percent in processing 1979 registrations (largely because of the strike). Table 1 states 39.82 percent for this period, which sounds reasonable to us.

4. Recommendation B implies we are not processing receipts on a timely basis, all things considered, we believe we are.

At this time, we would be agreeable to negotiating with DCA to determine reasonable ways in which we could strengthen overall controls.

RECOMMENDATION #2

We recommend that the Department of Administration record and report highway patrol fine monies as Department of Justice revenue to match revenue with expenses.

RESPONSE #2

We disagree as the fees in question (Highway Patrol fines) are a result of justice court action and not collected by or for the Department of Justice. We also fear, on the basis of the other recommendation in this report that, if the recommendation were supported and carried out, then we may be responsible for the "document processing and revenue controls." The Department feels that fines are being properly handled in accordance with 61-12-701, MCA.

RECOMMENDATION #3

We recommend that the department:

- A. Correct the matters described above.
- B. Periodically review account balances for age, validity, and content and make appropriate adjustments.

RESPONSE #3

We concur and with the exception of the \$1,211 balance of the safety

responsibility compliance account, all items in this recommendation have been properly corrected.

RECOMMENDATION #4

We recommend that the department revise payroll procedures for timely payment of wages in compliance with section 39-2-204, MCA.

RESPONSE #4

We concur. As per direction from the Attorney General, we have taken the necessary steps to comply with this recommendation.

RECOMMENDATION #5

We recommend that the department comply with present retirement system provisions.

RESPONSE #5

Our personnel records indicate the individual referred to was a Highway Patrolman during this period regardless of duty assignment. Section 19-6-301, MCA, states, "all members ... must be members of the retirement system," therefore, we believe the department had no choice but to have the individual in the Patrol Retirement System.

RECOMMENDATION #6

We recommend that the department record as revenue monies received in exchange for goods and services.

RESPONSE #6

We concur. The department is presently recording collections from the sale of goods or services as revenue; however, we will continue to abate certain payments we determine applicable to the definition of Abatements and Recoveries in the Montana Operations Manual.

RECOMMENDATION #7

We recommend that the department:

- A. Obtain advance or direct financing.
- B. Establish inter-entity loans when necessary to allow initial recording of expenditures in the proper fund to reduce fund transfers.

RESPONSE #7

We concur.

RECOMMENDATION #8

We recommend that the Department of Administration restate cash and establish accounts payable as of 30 June for all no-warrant transfers issued during the fiscal year-end adjustment period.

RESPONSE #8

The Department of Administration will respond to this recommendation.

RECOMMENDATION #9

We recommend that the department record accounts receivable on the state's official accounting records at fiscal year-end.

RESPONSE #9

We concur.

RECOMMENDATION #10

We recommend that the department deposit highway patrol receipts directly to the appropriate fund and revenue classification.

RESPONSE #10

We concur and is presently being done as stated in the audit.

RECOMMENDATION #11

We recommend that the department match revenues and expenditures of the same fund.

RESPONSE #11

We concur and is presently being done.

RECOMMENDATION #12

We recommend that the department accrue all revenues susceptible to accrual in accordance with generally accepted accounting principles.

RESPONSE #12

We concur.

RECOMMENDATION #13

We recommend that the department comply with the state laws, Management Memos, and the Montana Operations Manual sections cited above or seek changes in state laws or regulations.

RESPONSE #13

Contingent Revolving Fund

The account referred to in the audit was used as a means to track the payment of insurance funds for a stolen property transaction. The checks from the insurance company were made payable to the "Montana Department of Justice." Instead of endorsing the checks and mailing "negotiable" instruments through the mail, we issued a check from the account in the receiver's name.

The missing property was not state property so there was no need to deposit the funds in the State Treasury. If we had deposited the insurance checks in the State Treasury, the transaction would show as a transaction of the state, which would have been improper.

Personal Telephone Use

The personal long distance telephone policy of the Department of Justice reflects the policy of the entire department; the state telephone is restricted to business calls only.

Record of Stolen Vehicles

Section 61-3-106, MCA, requires the Motor Vehicle Division to maintain records of stolen and recovered motor vehicles. When the motor vehicle records were first automated, the 24-hour communications center in Deer Lodge was disbanded, as inquiries were made through L. E. T. S. to the central computer. Even before that time, the stolen vehicle index was never satisfactory because if a stolen vehicle was reported, often when it was recovered, it was not reported to the Registrar's Bureau.

Since local agencies input stolen vehicles into the National Crime Information Center (NCIC) via L. E. T. S. , it was appropriate that L. E. T. S. would perform the Division's statutory functions in this matter. If L. E. T. S. ever ceased to do this, the Division would have to reestablish its file.

The certification section of the Registrar's Bureau has been systematically reviewing such records on all title breaks (titles issued without a clear chain of ownership indicated). Since December 1979, we receive daily hot sheets from L. E. T. S. and

check title transfers. In 1980, we plan to automate the stolen vehicle files which will allow us to automatically check all titles issued.

Classification of Chauffeurs

We do not argue that the intent of the 1973 legislation was to establish a classified driver licensing system. At that time, it was introduced as part of a highway safety package as one of several priorities mandated by the Federal Government. Another was periodic motor vehicle inspections. We do feel the following points should be made in reference to this statute:

1. The fiscal note which accompanied the bill was not funded.
2. Classes have never been established.
3. Since there are no established classes, the Division does not feel it is in violation of the letter of the law.

We will not do anything until such time as we can see our way clear, budgetarily and priority wise, to implement a true classified driver's license system.

Fire Marshal Oath of Office

The Fire Marshal's Office has filed the oath of office for all deputies and the department will adhere to the statutes regarding the filing of oath's of office.

Administrative Rule Review

The department is currently updating its Administrative Rules.

April 14, 1980

Mr. Morris L. Brusett
Legislative Auditor
State Capitol
Helena, Montana 59601

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MONTANA LEGISLATIVE AUDITOR

Dear Mr. Brusett:

In regard to your Department of Justice Audit Report, the following represents our position on that portion of the report which relates to this department.

"Recommendation #1

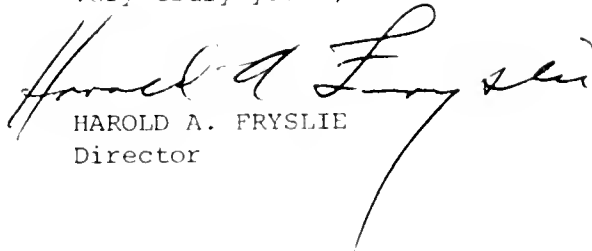
We recommend that the department:

- A. Cooperate with the Department of Community Affairs in establishing accountability for motor vehicle registration documents and tabs to enable reconciliation of recorded revenues with fees generated from documents and tabs issued.
- B. Establish procedures for timely processing and fiscal year-end processing cutoff of motor vehicle documents."

Response

The Department of Community Affairs stands ready to cooperate with the Department of Justice so that they may establish accountability for motor vehicle registration documents and tabs.

Very truly yours,



HAROLD A. FRYSLIE
Director

Enclosure



THOMAS L. JUDGE Governor

STATE OF MONTANA
DEPARTMENT OF ADMINISTRATION
DIRECTOR'S OFFICE
MITCHELL BUILDING
HELENA, MONTANA 59601

April 15, 1980

Mr. Morris L. Brusett
Legislative Auditor
State Capitol Building
Helena, Montana 59601

RECEIVED

APR 16 1980

Dear Morris:

MONTANA LEGISLATIVE AUDITOR

In accordance with your request, I have reviewed the report on the audit of the Department of Justice and submit the following response to the recommendations directed to the Department of Administration:

Recommendation No. 2

We recommend that the Department of Administration record and report highway patrol fine monies as Department of Justice revenue to match revenue with expenses.

We concur. Appropriate personnel from the two departments will produce adjusting journal entries for FY 1980 reports. Thereafter, the entry will be properly recorded by monthly source documents.

Recommendation No. 8

We recommend that the Department of Administration restate cash and establish accounts payable as of June 30 for all no-warrant transfers issued during the fiscal year-end adjustment period.

We concur. The recommendation came too late to incorporate into 1980 year-end procedures. However, it will be automated for 1981 year-end.

Sincerely,

David M. Lewis
Director

